

SUBMISSION
of the
SASKATCHEWAN WHEAT POOL
to the
ROYAL COMMISSION
ON AGRICULTURE and RURAL LIFE

October 9, 1953

I—The Economy of Wheat

The Saskatchewan Wheat Pool is an agricultural co-operative organization incorporated in 1923. The original activities were confined to the buying, selling, handling and marketing of grain on a co-operative basis, and the operation of pools for grain. The pooling operations were abandoned about the time the Canadian Wheat Board came into existence and will be referred to later in this submission.

Later developments included the amalgamation of the Livestock Pool with the Saskatchewan Wheat Pool and also certain industrial development. As a result it can be said that today the primary purpose of the organization is to carry on the business of handling and marketing grain and livestock on a co-operative basis; the manufacture of flour and the processing of vegetable oil—the products of which are distributed largely through co-operative channels; and the operation of a modern printing plant, including the publication of a weekly newspaper.

Membership in the Saskatchewan Wheat Pool is limited to persons, firms or corporations concerned in the production or marketing of grain or livestock in the Province of Saskatchewan, but anyone qualified as above can become a member by applying for a share in the organization. The par value of the share is \$1.00 and no one can hold more than one share.

While the number of shareholders in the Saskatchewan Wheat Pool is presently in excess of 100,000, the active membership is somewhere less. This is due in a considerable degree to the fact that over the years a substantial number of members have retired from farming but have wished to retain their membership in the organization they helped to build. Last year approximately 82,000 Pool members marketed their grain or livestock, or both, through Pool facilities.

The strength of the organization is the result of the democratic form of organization, which provides the means by which the views of individual Pool members are available in the formation of policy.

To enable this democratic machinery to operate effectively the province is divided into sixteen Wheat Pool districts, each of which in turn contains ten or eleven sub-districts. The members in each sub-district annually elect, by mail ballot, a delegate to represent them at the annual meeting of the Wheat Pool. This annual assembly of delegates is the governing body of the organization.

The delegates representing the sub-districts in each of the sixteen Pool districts annually elect one of their members to the Board of Directors. This Board meets monthly and in addition to the responsibility of carrying into effect policies approved at the annual meeting of delegates, are also responsible for the management of the business of the organization. Incidentally over the years, the Wheat Pool Board has made a fact out of what is all too often a fiction of the law, that directors do direct.

In addition to the organization outlined above there are in existence more than 1,000 committees of Wheat Pool members at local shipping points, elected at an annual meeting of the Pool members at such points. The interest of these committees ranges

over all manner of problems relating to the Saskatchewan farm economy. They are a valuable source of information to the Board and the delegates in matters relating to farm policy.

This type of organization leads the Saskatchewan Wheat Pool to an interest in all phases of the economic, social and cultural life of the province. The organization, as an organization, must be interested in many things other than the marketing of grain and livestock which are its principal functions in the Saskatchewan economy.

However, in the preparation of this brief, it has been felt wise to restrict the Wheat Pool's submission to matters coming within the scope of the organization's main function in the community. If some subjects are overlooked, or if they are treated sketchily in what follows, it is not because this organization lacks interest in them. Rather, the Pool feels that there are other organizations better able to deal with them and that it would be a mistake to try to cover every subject in which our members take an interest. Therefore, this brief centres largely around problems with which this organization, its officers, directors and delegates come in contact most frequently and most intimately.

THE SASKATCHEWAN ECONOMY

Saskatchewan is essentially a one-crop economy. No other commodity looms as large in the economic life of this province as wheat. In the last few years, the Saskatchewan economy has been broadening out to include oil and mineral production. There has been a substantial increase in commercial and industrial activity. In spite of this diversification, however, agriculture remains the dominant enterprise in Saskatchewan and wheat production is the dominant part of agriculture.

In the late 1930s, Professor G. E. Britnell of the University of Saskatchewan reported:

"The analysis of agricultural review . . . makes it clear that the proceeds from the sale of wheat form the backbone of farm income. Ordinarily, fully 80 percent of the cash receipts come from wheat, rather less than 10 percent from other field crops . . . and approximately 10 percent from the sale of livestock, dairy and poultry products." (Britnell, G. E., *The Wheat Economy*, page 71.)

In the four years from 1949 to 1952, inclusive, the cash values of farm production in Saskatchewan amounted to \$2,333 millions. Wheat accounted for \$1,426 millions or a little more than 60 percent of the total amount. (Dominion Bureau of Statistics, annual reports of farm income.) It should be noted that prices for livestock, dairy products and some other farm commodities have been higher in relation to wheat during this period than at most times in Canadian agricultural history. This different relationship among the prices of farm products distorts somewhat the position wheat occupies in the farmers' production plans. But even on the basis of the 60 percent figure, it is evident that Saskatchewan agriculture is heavily dependent on wheat for its success.

The diversification which has taken place in the economic life of the province has increased the number of persons who earn their livings in oil exploration and production, in mineral production

or other occupations. However, the real basis of the Saskatchewan economy remains agricultural as the following table shows:

NET VALUE OF PRODUCTION AND PERCENTAGE ANALYSIS

	1947		1948		1949		1950	
	\$000	%	\$000	%	\$000	%	\$000	%
Agriculture	343,259	77.0	465,422	77.8	484,406	79.2	389,052	73.7
Forestry	2,216	.5	1,747	.3	2,108	.4	3,422	.6
Fisheries	484	.1	513	.1	521	.1	718	.1
Trapping	1,449	.3	2,345	.4	1,992	.3	1,971	.4
Mining	29,512	6.6	44,850	7.5	31,351	5.2	26,938	5.1
Electric Power	7,711	1.7	8,204	1.4	8,351	1.5	10,027	1.9
Manufactures	41,481	9.3	45,054	7.5	47,357	7.7	49,495	9.4
Construction ..	19,742	4.5	29,744	5.0	34,510	5.6	46,383	8.8
Total	448,354	100	597,879	100	611,987	100	528,004	100

Source: Dominion Bureau of Statistics, *Survey of Production*.

The economic health of the province is directly related to the health and vigor of agriculture. And in Saskatchewan agriculture means wheat.

THE PROBLEM OF STABILITY

The degree to which Saskatchewan relies on one crop exposes the people of the province to grave and unusual economic risks. If this one crop fails, or if the price falls drastically, the result is felt in almost every phase of Saskatchewan's economic life. And the one calamity or the other frequently overtakes the people of this province. When both calamities occur at the same time, as in several years during the 1930s, the result is disastrous.

The level of wheat production fluctuates tremendously from year to year. Yields have varied from a low of 2.7 bushels to the acre in 1937 to a high of 26.5 in 1952. The average yield is around 15 bushels to the acre. But very few years in the history of Saskatchewan have been "average."

The fluctuations are not only great over a long period, but they can occur with drastic suddenness. In 1924, for example, the average wheat yield for the province was 10.2 bushels to the acre. The year before it had been 21.3. Again, in 1928 and 1929, the yield dropped from 23.3 bushels in the former year to 11.0 in the latter. On both occasions, the reductions amounted to more than 50 percent. Few industries other than agriculture are called upon to face such violent shifts in production. Few people, other than those in Saskatchewan, are required to experience the insecurity which such shifts generate in their lives.

The price of wheat has been a constant source of instability in Saskatchewan economic life. The bulk of Canadian wheat is sold outside Canada. In the last four years, domestic consumption has not exceeded one-third the annual production for the country. Last year, less than a quarter of the crop was consumed at home. Hence, the Saskatchewan farmer is dependent upon the condition of overseas markets and the state of international trade to determine the price and conditions of sale of his principal product.

This reliance on outside markets is another factor which contributes to the instability of the Saskatchewan economy. Shifts in the international demand for wheat are directly reflected in the returns received by every Saskatchewan farmer. When these shifts in demand are accompanied by whimsical changes in the speculative climate of domestic and foreign markets, as was the condition

during a long period of Saskatchewan history, the result can be disastrous to the man on the land as will be shown later in this submission.

The unstable elements of price and production are reflected in the figures for Saskatchewan cash income from the sale of farm products. This figure includes the returns from livestock, dairy and other products. It is, therefore, less variable than the wheat income considered alone. But, as the subsequent table shows, the variation is so great as to be intolerable:

CASH INCOME FROM THE SALE OF FARM PRODUCTS
(Thousand Dollars)

	1926	1927	1928	1929	1930	1931	1932	1933
Totals ...	289,300	269,800	319,300	242,900	123,700	70,000	73,400	73,400
	1934	1935	1936	1937	1938	1939	1940	1941
Totals ...	91,800	108,143	125,440	84,162	93,141	138,275	150,861	161,754
	1942	1943	1944	1945	1946	1947	1948	1949
Totals ...	195,584	327,670	543,690	609,618	387,589	428,489	533,967	566,062
	1950	1951						
Totals.....	408,264	636,627						

Source: Prov. Dep. of Agric. Annual Report.

N.B. These figures do not include Federal supplementary payments which have been received by Saskatchewan farmers in each year since 1938.

The effect of the unpredictable changes, illustrated above, is felt throughout the economic, social and cultural life of the province. When the bottom falls out of the market or the crop fails, every rural service—the school, the church, the agricultural society, even the hockey team—feels the effect quickly and painfully.

The net result of Saskatchewan's dependence upon wheat is to make instability of income the basic economic problem of the province. Instability of wheat income makes for insecurity in the lives of Saskatchewan people which in turn is the root of many other economic and social ills.

The prime purpose of all agricultural policy, so far as Saskatchewan is concerned, must be to remove the causes of instability and thereby give the people of the province an opportunity to develop homes and communities which will be agreeable places to live in and in which the individual may develop himself according to his own taste.

In putting forward with all the emphasis at its command, the idea of economic stability for the farm family, the Wheat Pool wishes to distinguish clearly between a stable economy and a static one. The two ideas ought not to be confused. There must be room in the economy for change in response to changes in the demand for farm products or in the environment in which they are produced. The Saskatchewan Wheat Pool also wishes to emphasize that stability does not mean an exorbitant price for the products of the farm. The Wheat Pool believes that the farmer is willing to meet the consumer half way: He will not expect famine prices for his food if the consumer is prepared to see that he does not have to accept depression prices either.

Price stability, in the opinion of the Wheat Pool, means prices that are fair to the consumer as well as the producer. They will not be so high on one hand as to be beyond the income level of the consumer, nor so low on the other hand as to prevent the farmer from enjoying a standard of living comparable to other Canadians.

II—The Problems of Production

Violent fluctuations in the production of wheat and other cereals in Saskatchewan arise from many causes, some of them beyond human control. However, many things may be done to achieve greater stability in production by following practices which will reduce natural hazards to their minimum. This section of our submission will try to suggest some of the things which may be done to reduce the hazards of production and to suggest other means which will level out income fluctuations resulting from those fluctuations which cannot be controlled.

CONSERVATION, SOIL AND WATER

The natural hazards of grain production in Saskatchewan were aggravated by settlement policies pursued in the early days. It is a commonplace of Saskatchewan agricultural history that some land was put under the plow which would have been better left in its native state. Provincial and federal governments have spent substantial amounts in recent years to return some of the land to grass. The job is by no means finished and both governments are continuing policies designed to correct earlier mistakes. Such work merits the support of all organizations interested in the development of a stable agriculture.

The experience of the Prairie Farm Assistance Act may be cited as evidence that more work needs to be done in the direction of good land utilization. In the first 10 years of PFAA experience, that is from 1939 to 1948, farmers in 46 municipalities qualified for assistance payments in nine out of ten years. In 177 other municipalities, assistance was paid in eight out of ten years.

This record suggests that grain growing in a large number of municipalities shows a consistent pattern of crop failures. Whether these failures arise from attempts to cultivate poor land or from a persistent shortage of moisture, the fact remains that serious consideration must be given to the proper use of land in these areas. With the experience that has been accumulated up to this time, it should be possible to decide whether such lands are more valuable in grain or livestock production.

Land utilization, however, is only one part of the general problem of soil and water conservation. Much valuable work has been done by the provincial government in developing water conservation and irrigation projects and in encouraging the regrassing of land unsuited to cultivation. The federal government through the Prairie Farm Rehabilitation Administration has accomplished much of permanent value to Saskatchewan agriculture through its program of water conservation, its community pasture developments and its irrigation projects.

The development of new lands in the northeast part of the province by the extension of drainage facilities is another phase of an adequate conservation and land use program. The provincial government has done valuable work in parts of the area and, in co-operation with federal services, has done important exploratory work in the area. What has been accomplished to date is useful.

This organization suggests the continuation and intensification of this work.

The Wheat Pool believes, with the Agricultural Institute of Canada, that:

"The lack of an adequate and integrated government policy covering land and water resources is now recognized as a growing menace to the welfare of our farmers, and our whole economy, and should be a matter of national concern."

The matter of soil and water conservation has been considered on several occasions by the delegate body of the Wheat Pool. The following resolution was approved in 1951 and reaffirmed in 1952:

(We recommend) increased co-ordination of the dominion and provincial government programs for a better use of our soil and water resources . . . to the end that producers may . . . engage in community action to the extent necessary to maintain maximum production.

It is the hope of this organization that such co-ordination in all matters relating to soil and water conservation (with special emphasis on drainage and irrigation) may be made fully effective in the very near future. It is the belief of this organization that the maximum degree of stability in production can be achieved only through the co-ordination of community, provincial and national effort in soil and water conservation.

FARM MECHANIZATION

The last decade has witnessed a major revolution in farm practice. This revolution has been brought about by the introduction of power machinery on a wide scale in the grain growing branch of agriculture. Saskatchewan has been living with its mechanized system of grain growing long enough now to recognize the advantages of power farming and to discover some of its disadvantages.

The mechanical revolution began during the Second World War. Much power machinery had been in use before the war began. Indeed, power farming was experimentally tried in the days of rapid settlement before the First Great War. But, for various reasons, power farming made a relatively small impact on production methods until the labor shortage of the Second World War forced an almost province-wide shift to power farming.

The change-over was assisted by several factors, notable among them being the relatively stable conditions in the wheat market in the years since 1942 and the availability of ready money with which to finance it. Improvements in the efficiency of power machinery coincided with these other factors to persuade a great majority of our farmers that mechanized production was profitable.

The success of mechanized grain growing is evident on all sides. It has enabled farmers to produce large volumes of grain at a time when the world's need was great. But it also has other aspects. The cost of machinery required for successful farming represents a heavy investment per acre. Fuel for farm power must be paid for in cash rather than grown on the farm. Depreciation expenses on farm machinery go on whether the machine is in use or not. Many

machines are used only briefly, but the capital invested in them remains tied up throughout the year. Above all, the cost of equipping a farm has reached a point where it is difficult for the young farmer to get a start.

The success of mechanization in grain growing, and the continuing shortage of farm labor suggests that the livestock farmer will be the next to consider mechanization of his operations. New machines are appearing on the market to take much of the drudgery and hand labor out of livestock and dairy production. The availability of these machines may stimulate livestock production.

However, before Saskatchewan farmers can invest in these machines with some assurance that they will recover their investment, they must be satisfied that the outlook for stability in the livestock industry is much more promising than it has been. Grain mechanization was carried out in a period of stability. A similar period of stability would assist livestock growers to mechanize their operations and thus increase their efficiency. Moreover, a greater degree of stability in livestock prices would encourage farmers to go into the business on the basis of long range plans. Such plans might also encourage mechanization and improvement in livestock facilities. The co-operative purchase and use of haying equipment, for example, might become feasible when neighboring farmers were induced by stable prices to make livestock a permanent part of their farm program.

RESEARCH AND EXTENSION

Science has become increasingly the ally of the farmer in recent years. In nearly every branch of agriculture, science steadily offers the farmer better methods of production and better, more reliable products. The successes of the scientists give the farmer an opportunity to stabilize production by adopting them as part of his farm operations.

The scientist has not exhausted the possibilities of achieving greater stability of production through research. There are many avenues left to explore. The Saskatchewan Wheat Pool is conscious of the benefits which Saskatchewan agriculture has derived from scientific research. It participates in the general research program through its variety test program which is now in its nineteenth year. The Pool further assists specific research and education programs at the University of Saskatchewan from time to time.

This organization believes that agricultural research should be maintained and expanded wherever opportunities to increase and stabilize production present themselves.

A research program is not complete until the man on the land has been given access to the new knowledge and some encouragement to make use of it. It is necessary, therefore, to consider agricultural extension work as part of the drive to achieve efficient, stable production patterns in Saskatchewan. The need for information is made pressing by the growing complexity of farm management and farm production. A farmer needs to know a great many things about science and about business to reinforce the skills in soil and animal management which he has acquired through experience.

In his capacity as a business manager, operating a farm enterprise that turns over thousands of dollars a year, the farmer

needs a steady flow of accurate information promptly received. He needs to know about market prospects and prices. In his capacity as production manager for the farm enterprise he needs to have at his command accurate information about crops and methods.

Many sources are now open to him from which he can get this information. The extension department of the University of Saskatchewan, the field service of the provincial department of agriculture, the field service of this organization are but three of many sources offering information of vital importance to farmers' success. The newspapers and radio stations offer another essential avenue of information.

These avenues of information and education have helped the farmer to improve his production methods in many instances. The gradual improvement in agricultural practice which has taken place over the years can be attributed in some measure at least to the work of extension agencies.

Agricultural extension services generally recognize how far performance still falls behind knowledge. They are conscious that their best efforts have not been completely fruitful and they have spent much time and thought in analyzing their own work to discover where improvements may be made. We feel sure that this process will continue and that improvements in extension methods will come as a result of continued critical examination by those engaged in this field.

This organization suggests that additional emphasis in extension work should be put on farm management and matters generally related to the farm as a business enterprise. It appears that farmers are generally interested in such subjects and would be receptive to more information than they have received in the past.

The present wheat situation appears to be a case in point. Much of the information that is given to the public by some agencies is of dubious merit from the farmer's standpoint. This organization suggests that the farmer needs to understand the basic principles of marketing and farm economics so that he may make his own critical analysis of material that reaches him from the many sources that are competing for his attention.

An adequate farm information program ought to have three virtues: It should be comprehensive; it should be timely, and it should be accurate. And of these virtues, accuracy is the greatest.

CROP INSURANCE

Up to this point this submission has directed attention to some of the ways in which the hazards of production which face Saskatchewan farmers may be reduced or eliminated. But, however conscientiously these remedies are applied, the fact is that the Saskatchewan economy will remain subject to violent fluctuations in yield and income.

This is now officially recognized in national farm policy and steps have been taken to ameliorate the condition through the Prairie Farm Assistance Act which has been in operation since 1939. Under this act prairie farmers and the federal government share the cost of making adjustment payments to farmers who experience complete or partial crop failures.

Sufficient experience has now been accumulated under this act to point the way to broader and more comprehensive schemes

further to amortize instability arising from the natural hazards of grain production in Saskatchewan. A brief review of PFAA experience will point up some of the problems involved in developing an effective pattern of coverage.

In the 14 years PFAA has been operating in Saskatchewan it has been necessary to make payments under the provisions of the act in every year but one—1942. Even in the record year of 1952 when the province as a whole reaped the largest total wheat crop in its history and enjoyed the highest average yield, 3,664 claims for assistance were honored to the amount of \$754,000.

Apart from 1952 the number of awards under PFAA has ranged from 10,376 in 1944 to 62,473 in 1941. The average number of awards paid annually since 1939 (but not including 1942) is slightly more than 34,700. Annual payments have ranged from \$754,000 in 1952 to more than \$15,000,000 in 1949. This record reflects a variability in production which calls for broad powers to level off the effects of such instability.

PFAA has been supported by the farmers through a contribution of one percent on the value of grain delivered to the elevators. In Saskatchewan this contribution has amounted in 14 years to \$41,600,000. During the same period payments in Saskatchewan under the act have amounted to \$31,400,000. Thus Saskatchewan farmers have borne 90 percent of the cost of this elementary system of income insurance. The balance has been made up by payments from the federal treasury together with small surpluses earned by the scheme from its operation in Manitoba.

The benefits under this scheme are limited. In the event of a complete crop failure (that is, less than four bushels to the acre) the farmer receives \$2.50 per acre on half his cultivated acreage up to 200 acres. The maximum payment under PFAA is therefore \$500. For partial failure the maximum is \$300. These amounts are based on costs and prices prevailing in 1934. They are obviously inadequate now to give even the level of security envisaged when the act was passed. There are other limitations in the PFAA scheme which make it unsatisfactory as the basis for an adequate crop insurance plan. PFAA has been useful as an emergency measure to meet conditions which prevailed when the act was passed. Amendments have increased its usefulness as conditions have changed. But it is nowhere represented as a substitute for adequate crop insurance.

Two things emerge from this brief examination of the experience accumulated by PFAA. The first is that some form of insurance against the hazards of cereal crop production is necessary. The second is that it is unlikely that the farmers themselves can bear the whole cost of a satisfactory insurance scheme.

In the light of these circumstances, the attention of the commission is directed to the following resolution which has been approved by the delegate body of the Saskatchewan Wheat Pool:

That we again urge upon the federal government the adoption of a national agricultural policy which would provide for:

(a) An adequate scheme of crop insurance, the cost to be borne jointly by the Dominion and provincial governments and the producers."

III—Farm Credit

The question of farm credit is closely associated with the problem of stable production in Saskatchewan. Without adequate credit facilities many Saskatchewan farmers would experience difficulty in achieving a high degree of efficiency in production. Credit is often essential when a farmer undertakes a program of mechanization with a view to increasing the efficiency of his farm operation. The availability of the right kind of credit is of particular importance to the young man who wishes to start farming. As noted in an earlier part of this presentation the present cost of equipping a farm poses special problems for the young man about to begin operations. These are not new problems in the agricultural history of Saskatchewan. From the beginning of settlement farm credit has been an important aspect of the agricultural scene.

Writing in 1914 the late Dr. William Allen of the farm management department of the University of Saskatchewan outlined the importance of farm credit in these terms:

Without the availability of vast amounts of credit the rapid development of the prairies would have been impossible. From the earliest days of settlement the people have operated to a very considerable extent on funds made available from outside sources. During the homesteading periods advances were made by lumber yards, implement companies, stores and banks, and usually when the duties of homesteading had been completed the different loans were consolidated in a real estate mortgage. As the districts developed additional lands were acquired by the homesteaders, usually on the deferred terms of agreements for sale. The advances made for current operations by banks and stores and also by machinery companies and lumber yards and later by oil companies for tractor fuel were usually paid shortly after the crop was harvested each year. The same practice was followed in connection with medical services and a variety of other things. (Studies in farm indebtedness, Report No. 1 U of S College of Agriculture Bulletin No. 60, 1934.)

This presents a picture of a rural society operating almost entirely on money borrowed from one source or another. It was typical of Saskatchewan up to the onset of the depression. Finding enough credit to carry on operations and to expand the agricultural base of the province was a recurring problem during the years of settlement. Nearly every meeting of farmers during this early period considered resolutions seeking an expansion of credit facilities on easier terms.

The credit system worked moderately well up to the beginning of the depression. At least it provided the capital out of which a new agricultural empire was created in Saskatchewan and the West.

FARM DEBT

One of the costs of the haphazard credit system that grew up with the West was the additional uncertainty it created in the farmer's business affairs. The amount of credit available varied from year to year and season to season. Sometimes it was difficult

for the farmers to get modest amounts of credit to carry out essential farm operations. Other times it was so easy as to tempt them into dubious farming ventures. But by far the heaviest cost of the credit system as it developed in the early years of the century was laid upon the farmers in the 1930s when depression and drought hit the prairie economy simultaneously. The problem of farm credit suddenly became the problem of farm debt.

As the depression lengthened, the farm debt problem increased. Interest piled on interest and agricultural relief debts and unpaid taxes were piled on top of this. By 1936, it was conceded that farm debt in Saskatchewan had reached the colossal figure of \$525 000 000 of which \$414 000 000 was secured debt (that is, registered against the titles to farms). A further breakdown of this figure shows that \$319 000 000 of this debt was secured by first or second mortgages or agreements for sale (Britnell *op cit.* p. 87). No comparable figure is available for subsequent years.

For a few years after 1937 Saskatchewan farmers and their leaders were pre-occupied with the task of bringing the heavy load of debt into line with the prospective capacity of western land to produce. Adjustments by various methods removed a part of the farmer's burden. The increase in agricultural prices during and after the war plus a succession of good crops has erased the debt problem. And the West is again face to face with the problem of making available sufficient credit to encourage an economical use of available agricultural resources.

Farm mortgage debt in Saskatchewan is probably less than \$30 000 000. This figure is estimated as follows: Farm Loan Board \$7 011 000, members of Dominion Mortgage and Loan Association \$12 746 000 plus unofficial estimates of mortgages held privately or by companies not in D.M.L.A. amounting to \$7 000 000 to \$10 000 000. Other lines of intermediate and short term credit appear also to be low. The amount of tax arrears owing to municipalities is low. Store bills and other borrowings appear to remain well within the farmer's capacity to repay. Nevertheless, the recurrence of elevator congestion during harvest time has created the problem of meeting these bills promptly.

In addition to the regular sources of credit, such as banks, stores, machine and oil companies, the farmer has access to other agencies at the present time.

The federal government has made credit available through two sources. The Canada Farm Loans Act and the Farm Improvement Loans Act. The Farm Loan Board lends on long term and intermediate terms. Its long term lendings are based on real estate first mortgages and its shorter term lendings on second mortgages. Improvement loans are financed through banks with the federal government prepared to guarantee lenders against loss up to 10 percent of the amount loaned by each. The bulk of borrowings under this act in Saskatchewan have been for the purchase of mechanized farm equipment. Under the Farm Loan Board first mortgages may be arranged for the purchase of equipment, livestock, or land and for improvements and refinancing of debts. To persons who have secured first mortgages, the board also offers intermediate credit on five-year second mortgage loans for farm improvements.

It is worth noting that the number of loans granted in Saska-

cheven under both these acts is higher than in any other Canadian province. The amounts loaned also exceed loans in other provinces. Here are comparative figures for both acts for the three prairie provinces in 1951

FARM LOAN BOARD

	First Mortgage		Loans Approved Second Mortgage		Total Amount
	No.	Amount	No.	Amount	
Manitoba	146	\$374,150	70	\$ 41,900	\$ 416,050
Alberta	244	478,700	66	39,550	518,250
Saskatchewan	412	985,250	260	154,150	1,149,400

FARM IMPROVEMENT LOANS

	1951		Totals since inception to 1951	
	Loans	Amount	Loans	Amount
Manitoba	10,120	\$11,370,000	35,464	\$15,867,000
Alberta	30,809	33,240,000	77,462	74,230,000
Saskatchewan	23,272	27,876,000	62,583	67,876,000
Canada	75,063	\$85,326,000	248,625	\$255,381,000

The federal government has placed a ceiling of \$200,000,000 on the loans it will pay under the Farm Improvement Loan Act. Its guarantee to the lending companies will cover losses up to 10 percent of the amount loaned. It is evident that much more money is available under this act than has been taken up by Canadian farmers, for the total amount loaned in seven years is not much more than the government is prepared to make good in the event of loss.

A further source of credit which they did not previously enjoy is now available to some Saskatchewan farmers. This money is available through the credit union movement in the province which has undergone spectacular development during the last decade. The department of co-operation reports that credit unions in Saskatchewan lent an estimated \$10,500,000 to farmers for farm operations during 1952. This is, of course only a small fraction of the credit need of rural Saskatchewan. But the movement is only beginning to make itself felt. The possibilities for the further development of credit unions to meet the specific needs of the farm population are immense. If in the early days it was necessary to rely on outside money to finance agricultural operations, this province must now be approaching the point where there is sufficient money available within the agricultural industry itself to carry a substantial portion of its own financing. The credit union movement appears to provide the means by which the supply of money and the demand for it may be brought together.

LONG-TERM CREDIT

One credit gap remaining to be filled relates to long-term credits for the purchase of land particularly by young persons wishing to start farming. During the period of settlement that is from the coming of the railway down to the mid-twenties, there were few financial barriers confronting the young person who wished to begin farming. Land was easily acquired and the cost of equipment was relatively small. Moreover there were many sources of credit open to the beginning farmer.

All these conditions have changed. Land is less plentiful and more expensive; the cost of equipment has multiplied many times, and

sources of credit are restricted. These things make it difficult for the young farmer to get a start.

The situation is further complicated by the memories of the great depression of the 1930s. Commercial lending companies, having once experienced the wringer of debt adjustment, are understandably more cautious in the face of the continuing hazards of the Saskatchewan wheat economy. They will probably remain cautious as long as the Saskatchewan economy continues to be as risky as it has been.

One step therefore which will tend to increase the availability of long-term credit in Saskatchewan is to reduce the hazards attendant upon agriculture through various measures touched upon in other parts of this presentation.

Greater use may also be made of the facilities offered by the Canadian Farm Loan Board. In 1951 less than 4,000 applications for loans were received in all Canada. Where the need for long-term credit appears great as it does in Saskatchewan, this figure represents a low demand. It may be that interested organizations in Saskatchewan should undertake to make the board's services better known among prospective borrowers.

The co-operative movement provides still another source of long-term credit to help young farmers get established. The Co-operative Trust Company which was organized only about a year ago may lend on first mortgages and is otherwise designed to supplement the credit operations of the smaller unions and the credit society. It will be some time before this develops to the point where it can make any large-scale contributions to the solution of the credit problem in Saskatchewan. Moreover, it will always be limited by considerations of good lending practices which govern commercial institutions. But in the long run it can prove a useful addition to the financial apparatus of the Saskatchewan farm community.

The credit problem which arises from slow autumn deliveries as a result of congestion in grain handling facilities is a special problem meriting special consideration. The problem has arisen repeatedly. It appears likely to be a continuing one. The Wheat Pool, therefore, believes that an arrangement similar to the federal government's guarantee to the banks in 1951 for interim farm financing should become a part of permanent agricultural policy.

IV—Marketing Farm Products

The Saskatchewan Wheat Pool was created by the farmers of this province 29 years ago to be their instrument in solving the grain marketing problems that then beset them. The organization has continued unremittingly since that time to give its attention to marketing problems. In 1944 as a result of amalgamation with the livestock co-operative the Pool became the agent for the livestock producer in helping him to secure a more equitable stable market for his products.

These points are cited now in explanation of the amount of space given to marketing problems in this submission. The Wheat Pool believes that a satisfactory marketing system for farm products is essential to the prosperity and well-being of the Saskatchewan farmer. We therefore make no apology for the attention given to marketing in this brief.

In beginning this section on marketing it may be useful to look back to the beginnings of the Wheat Pool to discover what was in the minds of western farmers when they created their own marketing organizations. The charter of the Central Selling Agency the organization set up by the three Western Pools to conduct the sale of members' grain set out the founders' objectives with commendable clarity and brevity:

To be an agricultural organization for the purpose of mutual help to reduce speculation, manipulation and waste and all unnecessary transactions in such marketing to increase consumption and build up new markets and develop new uses for grain marketing same directly and with regularity so as to furnish it economically to the users thereof and to preserve for the growers and the public their proper profits and economies.

These marketing aims have not changed to reduce speculation, manipulation and waste to furnish it (grain) economically to the users thereof to preserve for the growers and the public their proper profits and economies. It has never been the purpose of western farmers to enrich themselves at the expense and to the detriment of the consumers of their products. It has always been their purpose to reduce the spread between the price at the farm and the price at the grocery store.

And today the Saskatchewan Wheat Pool believes that the first test of a proper marketing service is the extent to which it can reduce this spread. That is to say the first test of a marketing system is the efficiency with which it works not only in the interest of the producer but in the interest of the consumer as well.

A second test which we believe must be applied to a marketing system is the extent to which it promotes stability of prices. Again may we point out as we did in the beginning that stability does not mean rigidity nor does it mean going after the last cent the traffic will bear. In the view of this organization stability of prices is inextricably bound up with the achievement of maximum production and therefore with the efficiency of Saskatchewan farms as food producers. It is for this reason that we believe marketing policy is the master key to the door to a prosperous, stable agricultural industry.

MARKETING BOARDS AND FLOOR PRICES

The Saskatchewan Wheat Pool supports the principle of producer-controlled marketing boards for commodities appropriate to this method of sale. Federal and provincial legislation permitting these boards to operate within a province and on an inter provincial scale is of major significance because such legislation recognizes the fundamental right of producers to organize for the purpose of controlling the sale of their own produce. This legislation ought, therefore, to be maintained.

It is a matter of regret that similar legislation is lacking in two provinces because it prevents farmers from organizing on a national scale to exercise their right to control the marketing of the things they have produced. It is a matter for hope that producers in all provinces may soon be accorded the right to join together to set up their own marketing systems.

The Wheat Pool is prepared to support the producers of other appropriate commodities in establishing their own marketing boards under provincial legislation. This offer is not new. It is made because the Pool believes that the establishment of commodity marketing boards can help to reduce the spread between the producer and the consumer price and that they can stabilize prices at levels fair to both groups.

Because it holds these views, the organization votes with satisfaction the decision of the Supreme Court of Canada upholding federal and provincial legislation in respect to the potato producers' board of Prince Edward Island. This decision is useful to producers in all parts of Canada where provincial marketing legislation is effective.

Delegates to the annual meeting of the Saskatchewan Wheat Pool have repeatedly endorsed the principle of support prices for agricultural products and urged the federal government to make greater use of the Agricultural Prices Support Act. It is the opinion of the organization that the act should be extended to include many farm commodities that are not under the act.

The Pool recognizes there is a tendency when establishing support prices to set them well below the existing market. Very often this results in an unrealistic floor which bears no relation to cost of production or stability of production. This attitude toward price support is outmoded and ought to be replaced by a clear understanding of what is required in a support price.

Because of the natural hazards of production which have been discussed at length in another section of this submission, the farmer is faced with more unpredictable business factors than any other industrial group. Not only does he face the danger of more violent price changes but he has little control in the short run over the quantity of his production.

As a result adequate protection is necessary for the farmer for his own economic safety and as a safeguard for the consumer as well. Support prices therefore should be adequate to cover costs of production for the average economic unit. For certain commodities it may be necessary to provide variation in the support price during the course of the year to encourage orderly production. In addition, the support price should be reviewed annually.

It is the opinion of this organization that adequate support prices

covering a broader range of farm commodities and the application of producer marketing boards to other appropriate commodities would, together, go far to improve agricultural conditions in this province.

LIVESTOCK MARKETING

Livestock production on a large scale is essential in Western Canada if a balanced agricultural program is to be achieved. The instability of straight grain production is amply demonstrated in another section of this submission. Past experience has demonstrated the value of a farm herd during periods of low grain prices and short crops. Soil conservation cannot be practiced satisfactorily over the long-term period unless livestock production forms a part of the farm economy.

Farmers recognize these facts but the following table showing the numbers of livestock on farms in Saskatchewan indicates that such a policy has not been followed with any degree of consistency

LIVESTOCK NUMBERS ON SASKATCHEWAN FARMS—JUNE

Year	Cattle	Hogs
1931	1,140,000	705,000*
1934	1,420,000	638,000*
1938	1,619,000	267,600
1942	1,364,000	1,325,400
1946	1,715,000	523,300
1950	1,214,400	433,700
1951	1,237,000	533,300
1952	1,382,000	646,000

* December 1

Source: Livestock and Animal Products Statistics and Quarterly Bulletin of Agricultural Statistics.

Various reasons have been given in the past for the instability of the livestock industry. One of the reasons most commonly advanced has to do with prices.

YEARLY WEIGHTED AVERAGE PRICES—LIVESTOCK—WINNIPEG

Year	Cattle	Hogs
1934	\$ 2.60	\$ 7.85
1938	3.89	8.48
1942	8.17	14.53
1946	9.70	17.83
1950	20.85	27.76
1951	27.40	30.85
1952	18.85	24.45

Source: Livestock Market Review

The above table shows clearly the difficulty farmers have faced in attempting to plan a sound livestock production program. Price fluctuations have made it impossible to calculate the probable return for any future marketing period. This instability of price has been reflected in an unhealthy variation in production. Many producers have abandoned livestock production entirely in favor of straight grain growing, which has been a much more stable industry under the orderly marketing policies of the Canadian Wheat Board during recent years.

Whether livestock production forms the main farming enterprise or whether it forms a supplementary source of income, the producer must make a considerable investment of capital and labor.

Efficient production methods require considerable expenditure on suitable buildings and equipment for stock and feed supplies. To some extent, at least, the degree of efficiency in production is directly

related to the capital invested in equipment and facilities. For the producer setting up in business, there is additional expense in obtaining breeding stock or a producing herd. The first method requires a longer period before a cash return is realized, while the second method involves a higher original investment.

A good example of the difficulties faced by an individual producer starting up in business, or maintaining an established business can be found in the price and market conditions of the past three years. The following table illustrates this point.

**MONTHLY AVERAGE PRICE OF GOOD SLAUGHTER STEERS
UP TO 1000 LBS. AT WINNIPEG**

Year	Jan.	Feb.	Mar.	Apr.	May	June
1951	28.95	30.70	31.55	31.46	31.55	33.21
1952	30.67	27.91	24.22	23.17	23.11	24.43
1953	21.60	20.07	19.32	18.71	18.65	18.10
July	Aug.	Sept.	Oct.	Nov.	Dec.	Year
33.33	32.43	32.54	32.32	32.44	32.99	31.70
24.88	25.02	22.71	20.41	21.55	22.62	24.00
18.04	—	—	—	—	—	—

The above table, covering a 31-month period, represents the period which might elapse between breeding time and sale of slaughter steers. It shows clearly the problem faced by most producers recently, who planned their operations on the basis of \$28.95 steers in January, 1951 and face the possibility of serious loss as a result of the \$10.91-drop in price since that time.

In actual practice, the period used in the above example would be about the minimum for an established producer. The following five-year table shows the price variation faced by a producer entering a longer term breeding program. Here the average monthly price ranges from a high of \$33.31 to a low of \$14.52, or a difference of \$18.79.

**PRICES OF STEERS OVER 1,000 LBS. AT WINNIPEG, DURING THE
FIVE-YEAR PERIOD FROM JANUARY, 1948, TO DECEMBER, 1952**

Year	High Monthly Average Price	Low Monthly Average Price	Yearly Average Price
1948	23.9 (Sept.)	14.52 (Feb.)	18.29
1949	30.78 (Jan.)	19.15 (Feb.)	20.01
1950	27.56 (July)	20.80 (Jan.)	24.38
1951	33.31 (June)	28.94 (Jan.)	31.82
1952	30.71 (Jan.)	21.24 (Oct.)	23.93

The same uncertainty holds true for the producer who buys feeder cattle. For example, during the year 1951, monthly average prices ranged from a low of \$28.95 in January to a high of \$33.33 in July, a range of \$4.38. During 1952 the price variation was \$10.26. It should be pointed out that if the actual day-to-day market quotations were used instead of monthly averages, the price ranges would be even more drastic. This indicates clearly the gamble that a livestock feeder has faced during the last three-year period.

The hog producer has the advantage of a shorter production period than the beef producer, but he has been forced to deal with equally violent price movements. The following table illustrates the problem during the past three years. It shows price fluctuations of \$10.77 during 1951 and \$1.23 in 1952, or a maximum variation of \$15.51 during the 31-month period.

MONTHLY AVERAGE PRICE OF GRADE A HOGS DRESSED at WINNIPEG

Year	Jan.	Feb.	Mar.	Apr.	May	June
1951	30.75	33.16	33.37	30.00	31.31	35.41
1952	25.79	24.59	24.54	24.44	24.47	25.03
1953	22.34	23.95	25.79	24.45	24.47	31.48
July	Aug.	Sept.	Oct.	Nov.	Dec.	Year
27.75	24.52	32.75	28.95	27.55	26.98	31.25
25.00	25.00	25.00	24.45	24.75	24.75	24.45
30.12	—	—	—	—	—	—

The Saskatchewan Wheat Pool has made every effort in recent years to stabilize livestock prices within the field of its operations. The organization entered the livestock business in 1944 when it amalgamated with Saskatchewan Co-operative Livestock Producers Limited.

Following amalgamation, one of the first projects carried out was the establishment of public stockyards and competitive markets at three additional points in the province, Swift Current, Yorkton and North Battleford. The purpose in establishing these new markets was to bring producers in all parts of the province close to a sales outlet. It was felt that prices to producers remote from regular markets did not keep in line with the prices at markets in major centres.

The success of this extension of market facilities is outlined in the following excerpt from the 1949 annual report of the Wheat Pool, which states:

Your Board is satisfied that the establishment of markets at these points, with prices fully in line with outside markets, has raised the basic price of livestock not only to Pool members but also to all livestock producers in the surrounding area.

While the Pool now provides expert livestock marketing service at seven major centres in Saskatchewan, this in itself is not enough to provide stability for the livestock industry.

The domestic market for livestock today absorbs the major part of Canadian cattle and hog production. Only a small percent of livestock production is sold in the export market, yet this outlet is a strong factor in determining the domestic price. If the best interests of the livestock producer are to be served, it will be necessary to bring about stability in price and production. Stable prices, this organization believes, can be best achieved by implementing the provisions of the Agricultural Prices Support Act to establish floor prices where they do not already exist.

The experience gained during the period of the foot-and-mouth disease embargo has shown that a floor price system can operate successfully. Critics may suggest that the losses incurred by the government during this period can be justified only under emergency conditions. It is our opinion that the losses suffered by producers and the nation in the absence of support prices during the embargo, would have been many times as great. There is no doubt in our opinion, that price support action fully justified itself.

Further we are of the opinion that violent price fluctuations create emergency conditions and are damaging not only to the producer but to the country as a whole. In the adoption of support prices for livestock as a permanent part of farm policy, losses which

the government might incur during a period of price support ought to be considered in relation to the losses sustained by the producers and the nation as a whole under the chaotic conditions which have prevailed in the past. When tested against such a criterion, the fear of loss seems much of its effectiveness as an argument against a price support policy.

In the light of the experience during the period of the embargo and as a result of feeling the effects of unstable prices over a great many years, the Saskatchewan Wheat Pool urges the federal government:

(1) to implement the provision of the Agricultural Price Support Act by the establishment of floor prices on livestock and livestock products, poultry and poultry products where such floors are not presently in effect.

(2) to develop additional markets for surplus meat products, as a means of supporting farm prices for livestock.

(3) to negotiate long-term contracts for the sale of bacon and other meat products to the United Kingdom and other importing countries, and

(4) to support the principle of international commodity agreements for the orderly marketing of farm commodities in the interests of producers and consumers.

It is considered also that greater co-ordination and stability in the livestock industry is possible through the establishment of a Board of Livestock Commissioners to administer the Livestock and Livestock Products Act.

COARSE GRAINS MARKETING

During recent years the movement of feed grains from the prairies to Eastern Canada and British Columbia has expanded considerably. The combined movement of wheat, oats and barley to Eastern Canada for feed has increased from an average of about 12 000 000 bushels annually during the 10-year period up to 1940, to about 97 000 000 bushels annually since 1947. This trade has been important to the Western producer because it has opened a market for his grain and it has enabled the Eastern farmer to shift a considerable acreage from the production of feed to other crops.

The expansion in the movement of feed grain has been due in part to the freight assistance policy pursued by the federal government since 1941 under which it has absorbed much of the freight cost. The Wheat Pool believes that this policy should be continued.

During the past two years, the Saskatchewan Wheat Pool, along with other member organizations of the Canadian Federation of Agriculture representing both Western and Eastern interests, have discussed the movement of feed supplies from West to East, with a view to removing some of the uncertainties of price and supply. The question is still under study by a committee of the Canadian Federation of Agriculture. Through joint action of producers in both sections of the country a more satisfactory system of supplying the Eastern market will undoubtedly be found. This will benefit the Western producer of feed grains and the Eastern feeder.

For many years, the Saskatchewan Wheat Pool has firmly advocated the marketing of all grains through the facilities of the Canadian Wheat Board. A partial victory was achieved in 1949

when the federal government placed the marketing of oats and barley under Wheat Board control. This has removed the day to day fluctuations in price as far as the producer is concerned. However, the speculative system is still being used by the Board as a means of selling these grains. The uncertainty and instability of this marketing method (both from the producer and consumer viewpoint) is considered by organized farmers to interfere with the orderly movement of grain.

The following table showing production, exports, and domestic disappearance of oats and barley is of major interest in demonstrating the continued importance of the domestic market for these two grains. It also indicates the unprecedented export market which has developed during recent years, particularly for barley.

OATS (millions of bushels)

Year	Production	Exports	Domestic Disappearance
1925-26	402.3	36.8	356.8
1926-27	383.4	8.7	399.9
1927-28	439.7	14.9	421.7
1928-29	452.2	16.3	432.8
1929-30	382.8	4.2	396.0
1946-47	371.1	29.8	349.3
1947-48	298.7	10.3	290.1
1948-49	358.5	23.2	323.1
1949-50	317.9	20.3	313.4
1950-51	419.9	15.4	395.3
10-Year Average 1941-50	406.7	19.9	361.7
1951-52	488.2	70.6	407.8
1952-53	466.5	64.9	—

BARLEY (millions of bushels)

Year	Production	Exports	Domestic Disappearance
1925-26	87.1	34.7	99.0
1926-27	99.9	38.8	64.1
1927-28	96.9	25.4	69.6
1928-29	136.4	40.1	89.6
1929-30	102.3	2.6	88.4
1946-47	148.9	6.9	143.2
1947-48	141.4	2.7	136.0
1948-49	155.0	21.7	135.1
1949-50	120.4	17.5	112.3
1950-51	171.4	23.1	115.2
10-Year Average 1941-50	167.5	18.8	144.5
1951-52	245.2	69.9	151.9
1952-53	291.4	119.0	—

Since the 1920s production of oats has declined slightly, and barley production has increased considerably. The United States and the United Kingdom have traditionally been Canada's major customers for both grains, and every effort should be directed to maintain these markets. During recent years, however, other export

outlets for barley have become important. In the crop season just ended, 119,000,000 bushels of this grain were shipped out of the country. The major importers are shown in the following table.

MAJOR IMPORTERS—CANADIAN BARLEY—1931-32 AND 1932-33
(1931-32 imports to these countries included for comparative purposes)

	1932-33	1931-32	1931-32
	(million bushels)		
Germany (Fed. Rep. of)	30.4	5.9	1.1
United States	24.1	10.2	—
Japan	19.4	15.1	—
United Kingdom	16.1	7.7	4.7
Belgium	12.2	17.6	2.3
All others	16.8	13.4	5.4
TOTAL	119.0	69.9	13.5

MAJOR IMPORTERS—CANADIAN OATS—1931-32 AND 1932-33
(1931-32 imports to these countries included for comparative purposes)

	1932-33	1931-32	1931-32
	(million bushels)		
United States	59.5	58.6	—
Belgium	4.3	8.3	2.5
United Kingdom	—	—	8.3
All others	1.1	3.7	2.8
	64.9	70.6	13.6

The high quality of Canadian wheat has won acclaim in all parts of the world and this has been a major factor in maintaining our export markets. Canadian coarse grains are of similar high quality, although this fact has not been so widely recognized. Undoubtedly, quality has been responsible for much of the increase in coarse grains exports in recent years. There is evidence that some of the export markets, particularly for barley, are dependent on the production of types and varieties suitable for specific purposes. Close attention should be given at all times to the needs of the consumer and encouragement given to the producer to improve or alter the direction of his coarse grains production, as a means of consolidating the domestic and export market. In this connection it appears desirable that Canadian technical agriculturists, who are particularly concerned with this phase of production and marketing, should maintain a close liaison with domestic and foreign consumers as a means of directing coarse grains production along the most desired path.

V—Wheat Marketing

In the marketing discussions immediately preceding, we have been dealing with commodities that have been largely consumed in Canada. In turning to wheat we come to a commodity marketed largely abroad. In the last four years not more than one third of the Canadian wheat crop was sold domestically. Last year indeed, three fourths of the crop was sold in the export market. It is clear from this fact alone that policies appropriate to other agricultural commodities will not fit wheat.

Out of long experience in wheat marketing the members of the Saskatchewan Wheat Pool have come to the conclusion that international action is necessary to promote the maximum and efficient use of the world's wheat resources. Wheat enters into the economic life of every country in the world. Most of them produce some wheat themselves. All consume it in some degree. Where a commodity is of such universal concern the Wheat Pool believes that nothing short of international agreement will be sufficient to satisfy the legitimate interest of both the producers and the consumers.

This opinion is shared by wheat producers in most other countries. It is held by the producers of other commodities. Only recently the representatives of 40 nations have concluded a sugar agreement to cover the bulk of the international trade in sugar. The United Kingdom has signed the agreement on sugar though it abstained from signing the International Wheat Agreement. It is not evidently from doctrinaire considerations that the United Kingdom is not a member of the wheat pact.

Sugar is the second major agricultural commodity to come under an international agreement. The producers and consumers of other commodities may respond to the logic of the present world situation and seek for themselves the assurances that such an agreement offers.

The conviction that international agreements are an essential part of the marketing system for primary commodities entering largely into international trade has grown out of the experience of western farmers. How this conviction has come about is one of the threads to be traced in the remaining part of this submission.

BOARD OF GRAIN SUPERVISORS

One significant development in the history of grain marketing in Western Canada was the appointment in 1917 by the federal government of a Board of Grain Supervisors. War conditions had resulted in such wild fluctuations in wheat prices that it became necessary to exercise some measure of control over the market.

Under the system adopted then futures trading in wheat was discontinued, and the Board of Grain Supervisors was given power to fix a guaranteed price for wheat consumed at home and sold abroad. For the crop year 1917 the Fort William maximum price was set at \$2.21 per bushel basis One Northern. The maximum price for the 1918-19 crop was fixed at \$2.24. In each year the buyers took the wheat at the fixed price. The spread was controlled through to the consumer.

In 1919 the milling policy changed, and the Board of Grain

Supervisors was replaced by the Canada Wheat Board, which was given complete control of marketing the wheat crop.

The board operated a compulsory pool in the same way that it operates today making an initial payment on receipt of the wheat and subsequent payments based on the surplus in the pool at the end of the season's operations. The initial payment for the 1919-20 crop year was set at \$2.15 per bushel. Many farmers were convinced that this would be the only payment and disposed of their participation certificates at ridiculously low prices. As a result of the board's operations, however, a considerable surplus was accumulated, and subsequent payments totalling 48 cents per bushel were made.

In 1920 the Wheat Board was abolished, and the pre-war method of wheat marketing through the grain exchange was re-established.

Having discovered the merit of orderly marketing however, the majority of farmers quickly became dissatisfied with the uncertainty and fluctuation of the open market system. In the years that followed Western farmers maintained continuous support for a return to the wheat board system. Through the years realization of the advantages of wheat board marketing has gained ever-widening approval, and the support for this method has never been stronger than at the present time.

THE WHEAT POOLS

Following the abolition of the Canada Wheat Board, wheat prices began a steady decline until in December 1923 a low of 93¼ cents was reached. When all efforts to have the Wheat Board re-established had failed, the idea of co-operatively organized producers' pools took root. Pool organizations were formed in Alberta, Manitoba and Saskatchewan and were operated successfully from 1924 until 1930.

The principal objective of the Wheat Pool movement was to institute a program of orderly marketing under co-operative control and administration. The Wheat Pools organized a Central Selling Agency which undertook to market producers' wheat directly to customers, by-passing as much as possible trading on the speculative market. During the seven years of pooling operations, the three organizations handled more than one billion bushels of grain, and distributed to producers net proceeds of \$1,300,000,000.

The prices paid were as follows, basis No. 1 Northern in store Port William-Port Arthur:

1923-24	\$1.01 (Alberta only)
1924-25	1.66
1925-26	1.45
1926-27	1.42
1927-28	1.42½
1928-29	1.20¾
1929-30	.85

The Pools' method of payment provided for a conservative initial advance per bushel at the time the grain was delivered, with a subsequent interim payment during the crop year, and a final payment when the season's operations were completed.

In the crop year 1928-29 membership in the three western Pools reached a total of 140,779. The 1928 wheat crop reached record

proportions of 545 000 000 bushels. Of this, 244 000 000 bushels, or 44.8 percent, was handled by the Pools.

Drought in 1929 resulted in speculative price advances, and prospects indicated a strong price during the crop year.

In the summer of 1929 the initial Pool payment for the crop then being grown was set at \$1 per bushel—considered a relatively safe figure. In October, however, prices on the New York stock market broke sharply. This was the start of the depression. Values of all commodities including grain sagged sharply following the stock market crash. The Wheat Pools made every effort to stabilize the price of wheat. As a result of this policy heavy losses were incurred, and by the end of the crop season the Pools found themselves with an overpayment to the growers amounting to \$22 124 000 of which Saskatchewan's share was \$11 752 000. Wheat which had been purchased at an initial payment of \$1 per bushel settled at an average of only 85 cents for the crop season, and as a result of this initial overpayment it was necessary to obtain provincial guarantees of bank loans.

In 1931 the pooling operation was discontinued, and the Saskatchewan Pool undertook to repay its indebtedness through operations of the elevator system. Despite the difficult conditions of the 1930s, these payments were met regularly, with the result that by 1949 the entire indebtedness had been retired.

The crash of 1929 did not shake the faith of farmers in orderly marketing principles, but it did bring the realization that the wheat marketing problem could not be solved on a national basis. It was recognized as a problem of international magnitude and requiring world-wide co-operation for its solution.

As a result farmers turned again to their demand for a federal wheat marketing board, and proposed that international marketing agreements should be negotiated providing not only domestic stability but orderly wheat marketing throughout the world.

This is still the policy of the Wheat Pools—unanimous in all three provinces.

With the breakdown in pooling operations in 1931 Western Canadian producers were left to sell their grain on the open market which was then completely demoralized. The prices they received were far below the cost of production.

As prices sagged in Canada and other exporting countries, importing countries panicked in the face of floods of cheap wheat which threatened to drive their producers out of business. One after another the importers put on tariffs and then turned to quota arrangements to shut out overseas wheat. At one stage France required the use of 90 percent of domestic wheat in the grind for its flour. Tariffs in Germany rose to the fantastic figure of \$3.84 a bushel. Subsequently, as European countries fell from the gold standard, currency manipulation added another element of chaos to the international grain market. National policies entered the wheat situation in many European countries so that by the mid-1930s, wheat imports were strictly controlled by the governments.

These were the responses which European governments made to the threats of cheap wheat from the Americas and Australia. The result was a drastic reduction in the amount of wheat which Canada could sell abroad at any price.

In 1915 Western farmers achieved partial success when the Canadian government passed an act providing for the establishment of The Canadian Wheat Board. While the act gave the Board power to market all wheat these powers were not brought into effect until 1941 in the meantime the Board was set up to purchase wheat from farmers on a voluntary basis. A fixed price was set and participation certificates were issued entitling the farmer delivering to the Board to a share in any surplus realized from the disposal of such grain. This assured the farmer a floor price but it was not satisfactory as the open market was still allowed to operate. With the two systems in operation it turned out that in general the Board received deliveries only when its price was above that of the open market. Under this set up the Board's operations could not secure satisfactory results and it was not until 1940 that a surplus was realized by the Board and a participation payment was made.

As a result of the war in Europe the export market declined in 1940 and wheat stocks began to pile up in Canada. It was then that the value of the Wheat Board became most apparent. At one time in 1941 the Canadian carryover reached approximately 600,000,000 bushels. Had the speculative system been in operation at that time the price of wheat would have dropped again to sawdust levels and the subsequent rise in price following the war would have realized a profit to speculators rather than to farmers.

In the fall of 1941 The Canadian Wheat Board took over all supplies of Canadian wheat and the futures market was closed. Since that time the Board has been the sole marketing agency for wheat.

THE INTERNATIONAL WHEAT AGREEMENT

Immediately after the war grave food shortages everywhere and the lack of balance in international currency exchanges created a situation previously unknown in the wheat trade. It evoked a level of government control unknown before except in time of war. However as the post war shortages were overtaken it became possible to plan a new approach to the international movement of wheat. This was taken at conferences of producing and consuming nations first in 1948 and then in 1949.

The aim of these conferences was to bring about an international agreement covering the price and movement into international trade of a portion of the world wheat crop. This had been the system which many Western farmers had been urging for years. The accomplishment of an agreement in 1949 to last four years was greeted with elation by a majority of North American grain growers. The agreement established low maximum and minimum prices allowing the trade in wheat under the agreement to range between these figures. The agreement further gave assurance that minimum quantities would be allowed to enter international trade under all circumstances.

The agreement expired in July of this year after serving well both the grower and the consumer of wheat. It has been followed by a further agreement for the next three years. The new agreement sets the minimum price of \$1.55 and the maximum of \$2.05.

Unfortunately the United Kingdom is not a party to this agreement. Its representatives were prepared to accept the minimum price of \$1.55 in the new agreement. They were not prepared to

accept the ceiling of \$2.05. It was as a result of failure to agree on this figure that the United Kingdom refused to sign the agreement. Its representatives expressed the fear that the ceiling price might also become the minimum as had been the case during the previous agreement. And Britain was unwilling to commit itself in advance to pay so much for its wheat.

The Wheat Pool takes the position that the United Kingdom will still require large quantities of wheat (particularly hard spring wheat) to maintain the standard of its loaf. We are of the opinion that much of this grain will still be purchased in Canada and at a fair price. We believe that the Canadian Wheat Board is in a position to hold Canada's place in the British market.

WORLD WHEAT PRODUCTION AND TRADE

1909 to 1952

(From I.P.A.P. Commodity Memoranda—"WHEAT" by Leslie Wheeler)

Period	World Production ¹		World Trade		Percent Trade of Production
	Million Bushels	Million Metric Tons	Million Bushels	Million Metric Tons	
Average					
1909-13	3,800	103.4	676	18.4	17.7
1920-24	3,875	105.5	755	20.5	19.0
1925-29	4,525	123.2	791	21.5	17.2
1930-34	4,735	128.9	662	18.0	14.0
1935-39	5,275	143.6	582	15.8	11.0
1940-44	4,960	135.0	485	13.2	9.8
1945-49	4,965	135.1	879	23.8	17.6
Annual					
1950-51	5,545	150.9	917	25.0	16.3
1951-52	5,685	154.7	1,020 ²	27.8	17.9
1952-53	6,350	172.8	900 ³	24.5	14.2

(1) Excludes China.

(2) Includes about 10 million bushels of low quality wheat moving for animal feed.

(3) Estimate.

The above table shows the increase which has taken place in wheat production since the Second World War. In addition, it shows that a major increase has taken place in world wheat trade during the same period.

The production and marketing of wheat in recent years—both in exporting and importing countries—has been influenced almost universally by national policies. In the past strictly nationalistic wheat policies have resulted in a loss of balance in international trade, with consequent depressed conditions for producers in exporting countries. In recent years the International Wheat Agreement has provided a badly needed stabilizing influence. The agreement has shown conclusively that a framework of international co-operation, to which individual domestic policies can be geared, is the only way in which stability of price and production can be maintained. Only in this way will sufficient wheat be produced to meet the requirements of the world.

Because currency exchange and purchasing power are of vital importance to trade between nations, these problems will have to be given continued serious thought whenever commodity agreements are under consideration. This is fundamental to the future of the International Wheat Agreement, and to the future of Western Canada.

There has been much talk about a wheat surplus. The present supply position has been emphasized. It has long been the belief

of the Saskatchewan Wheat Pool that reserve stocks of wheat should be considered a good thing by both exporting and importing countries. Under present day circumstances, there are certainly millions of people who are in immediate need of cereal grains to maintain an adequate diet. Even if these people were well fed, a supply of wheat equal to that being carried at present should not be looked upon as a burdensome surplus. Rather it should be considered a strategic reserve from which the future short crops, which will inevitably occur, may be supplemented to provide adequate supplies to maintain international trade. It is important that this attitude be adopted more completely in future international wheat negotiations. Only in this way will stability of price and supply be ensured from the long range viewpoint.

Statistics indicate that in the years since the Second World War, world wheat trade has experienced a major increase. World marketings during the five-year period 1945-49 averaged 872,000,000 bushels annually, as compared with 582,000,000 bushels during 1935 to 1939.

In Canada alone, wheat exports during the past 10 years have averaged 232,087,000 bushels annually as compared with 176,193,000 bushels annually during the ten years immediately preceding the war. In addition, the amount of wheat processed domestically has increased.

There is no question that purchasing power in European and Asiatic countries will in future, as in the past, determine to a considerable degree the quantity of wheat traded. Nevertheless, the world's population is increasing and each year there are more people to whom wheat is the staple food in the diet. The habits of generations do not change easily or quickly, and regardless of circumstances the increased wheat trade of recent years is likely to continue if supplies are available.

Future world trade in wheat will also be influenced to some degree by the supply of rice. Since the end of the Second World War the economic history of rice has been one of persistent inadequacy of supply. Rice production was severely reduced during the war, and in contrast to wheat, this production has not fully recovered. Some of the rice shortage has been alleviated by heavy imports of other grains, particularly wheat and barley, and any change in rice production will affect this trade.

UNITED STATES WHEAT POLICY

Pre-war United States wheat crops ranged from 600,000,000 bushels to about 900,000,000 bushels annually. In 1944 the United States crop topped the 1,000,000,000-bushel mark. Since that time the annual average has ranged about 1,150,000,000 bushels.

Immediately before the war the United States was exporting an average of only 75,000,000 bushels of wheat each year. Since the war that figure has increased to more than 400,000,000 bushels. The increase has been due to domestic policies which have encouraged the production of wheat, and to a long series of years in which growing conditions have been favorable.

Wheat prices have been supported in United States through a government loan program guaranteeing the producer a return

equal to 90 percent of parity. The minimum loan level for the crop is announced during the year ahead.

When the producer harvests his crop he has the option of selling it at the prevailing market price or storing it with the government agency and receiving the government's loan figure as an advance. It is usual to store the grain only when the market is below the loan level, that is below 90 percent of parity. If, during the first six months of the crop year, the market rises above the loan value, the farmer may redeem his wheat for sale in the open market. If it does not rise, the grain is turned over to Commodity Credit Corporation for storage and sale. The transaction with the farmer is closed out. The loan value for the 1953 crop was \$2.21 per bushel. It will be about the same next year.

The effect of advance price information, together with continued high price levels and good crops has resulted in heavy wheat acreage and high production. Each year the supply of wheat in the United States has been increasing until this season the carryover of 559,000,000 bushels, plus a 1953 crop estimated at 1,203,000,000 bushels, brought the total to 1,767,000,000 bushels or 53 percent above normal.

The law requires that when the supply of wheat rises more than 20 percent above a statistically-calculated normal figure, marketing quotas and acreage allotments must go into effect for the following year, or the price support is reduced from 90 percent to 50 percent of parity.

A referendum was held recently among United States producers to determine whether they favored reduced acreage or reduced price support. Approval was given for a reduction in wheat acreage from 78,600,000 acres in the present year to 62,000,000 acres for the coming crop.

Based on average yields over the past 10 years, this reduced acreage would produce a crop of about 950,000,000 bushels, the smallest since 1943. United States sources do not anticipate any major reduction in wheat supply during the next two or three years, however, unless low yields are experienced.

The following table gives a comparison of wheat production and exports in Canada and United States in the post-war period:

WHEAT PRODUCTION AND EXPORTS (Including Flour)
Western Canada and United States

	Western Canada			United States		
	Production (000)	Exports (000)	%	Production (000)	Export (000)	%
1952-53	661,000	381,000	57.4	1,291,400	316,900	24.5
1951-52	529,000	357,023	67.5	967,474	472,956	47.9
1950-51	427,000	240,961	56.4	1,019,389	365,573	35.9
1949-50	341,000	225,137	65.0	1,141,188	298,471	26.1
1948-49	356,000	232,329	65.2	1,313,534	502,559	38.3
1947-48	320,000	194,982	60.9	1,367,186	478,792	35.0
1946-47	393,000	242,858	61.8	1,153,046	393,978	34.2
1945-46	294,600	343,164	116.5	1,108,224	388,374	35.0

It is evident from the above table that a much larger percent of Canadian than American wheat goes into export trade. With 10 times the population of Canada, the United States consumes the major share of its production at home. During the post-war period, moreover, the American government has itself financed much export

wheat as part of its contribution to political stability in the world. As a result of these conditions, the United States has found it possible to maintain domestic wheat prices at levels closely related to the rest of its economy while allowing exports to go abroad at lower prices. As the above table also indicates, a like policy would create problems of an altogether different scope when applied to Canada.

RECOMMENDATIONS

Since the Wheat Board assumed full responsibility for the sale of Canadian wheat, it has annually paid producers an initial price on delivery. This price has had the effect of putting a floor under the producer's price for grain. The government has not been called upon to make up any losses entailed in paying the initial price because its export price has been consistently higher.

At the same time, the Canadian farmer feels that he has been called upon to subsidize the domestic consumer of wheat because wheat has sold in Canada at the International Wheat Agreement price rather than at the price of wheat outside the agreement, which has been consistently higher. In these circumstances, the Wheat Pool feels it proper

"That a domestic price for wheat should be established which would be subject to adjustment from time to time in accordance with changes in the domestic economy, as shown by the D.B.S. indices covering commodities and services used by farmers and also farm living costs."

It is apparent, we believe from the foregoing discussions of wheat that this commodity is the basis of the economy of one region of Canada and that it is one of the major commodities in the national economy. We believe, further, that this position merits special attention being paid to wheat in the formation of national policy.

With these things in mind, the Saskatchewan Wheat Pool urges upon the government and people of Canada the following policy with respect to wheat:

- (1) That the International Wheat Agreement should be maintained and made a permanent part of Canadian agricultural policy;
- (2) That The Canadian Wheat Board should be maintained as a permanent part of Canadian agricultural policy for the orderly marketing of all Western-grown grains to the end that they may be efficiently moved from the producer to the consumer without speculation.

SUMMARY AND RECOMMENDATIONS

General Statement

The Saskatchewan Wheat Pool believes that the prime purpose of agricultural policy, so far as Saskatchewan is concerned, must be to remove the causes of instability affecting farm income and, thereby, to give the people of the province an opportunity to develop homes and communities which will be agreeable places to live in and in which the individual may develop himself according to his own taste.

In putting forward with all the emphasis at its command the idea of economic stability for the farm family, the Wheat Pool wishes to distinguish clearly between a stable economy and a static

one. There must be room in the economy for change in response to changes in the demand for farm products or in the environment in which they are produced. The Saskatchewan Wheat Pool also wishes to emphasize that stability does not mean an exorbitant price for the products of the farm. . . . Price stability means prices that are fair to the consumer as well as the producer. They will not be so high on one hand as to be beyond the income level of the consumer, nor so low on the other hand as to prevent the farmer from enjoying a standard of living comparable to other Canadians. (Pages 4 and 5.)

RECOMMENDATIONS

Conservation—Soil and Water

- (1) The continuation and intensification of existing irrigation and drainage programs;
- (2) The co-ordination of community, provincial and national efforts in soil and water conservation for the purpose of stimulating maximum production.

Research and Extension

- (1) The encouragement of additional extension work in farm management and farm economics;
- (2) The expansion of research programs wherever opportunities are offered to improve production.

Crop Insurance

- (1) The development of an adequate scheme of crop insurance, the cost to be borne jointly by the federal and provincial governments and the producers.

Farm Credits

- (1) A program to make better known the long-term credit facilities offered by the Canadian Farm Loan Board;
- (2) The encouragement of credit unions and other co-operative facilities for both long and short term credit;
- (3) The establishment of a permanent system of insuring farm credit to cover the period from harvest until the farmer's crop is marketed.

Floor Prices

- (1) The establishment of a system of floor prices for farm crops at levels adequate to cover the costs of production for the average economic unit;
- (2) The annual review of such floor prices.

Marketing Boards

- (1) That producer-controlled marketing boards should be established for farm commodities suited to this method of sale.

Livestock Marketing

- (1) The establishment of a board of livestock commissioners to administer the Livestock and Livestock Products Act;
- (2) The establishment of floor prices on livestock and livestock products, poultry and poultry products where such floors are not now in effect;
- (3) The development of additional markets for surplus meat products as a means of supporting farm prices for livestock;
- (4) The negotiation of long-term contracts for the sale of bacon and meats.

Coarse Grain Marketing

- (1) That the Canadian Wheat Board be responsible for the orderly marketing of all coarse grains so that speculative price fluctuations may be eliminated;
- (2) The continuation of federal freight assistance in the movement of Western coarse grains to Eastern Canada.

Wheat Marketing

- (1) The establishment of a domestic price for wheat which would be subject to adjustment from time to time in accordance with changes in the domestic economy as shown by D.B.S. indices covering commodities and services used by farmers and also farm living costs;
- (2) The maintenance of the Canadian Wheat Board as a permanent part of Canadian agricultural policy;
- (3) That the Canadian government continue to support the International Wheat Agreement and that it use its influence with other governments to promote international agreements covering the sale of other farm commodities.